



## **Workshop Agenda**

- Introduction
- Historical Snapshot
- Current Situation
- Financial Forecast
- Prioritization of Services
- Discussion



## Introduction

- City Council Members
  - Jeff Comerchero, Mayor
  - Mike Naggar, Mayor Pro Tempore
  - Maryann Edwards, Council Member
  - Matt Rahn, Council Member
  - Michael McCracken, Council Member



## **Introduction**

- **City Staff**

- Aaron Adams, City Manager
- Greg Butler, Assistant City Manager
- Randi Johl, City Clerk
- Kevin Hawkins, Community Services Director
- Jeff Kubel, Chief of Police
- Curtis Brown, Fire Chief
- Jennifer Hennessy, Finance Director
- Tom Garcia, Director of Public Works
- Luke Watson, Interim Community Development Director
- Michael Heslin, Deputy Director of Information Technology
- Isaac Garibay, Human Resources Department Head



## Introduction

- **Community Profile**

- Population: 108,920 (up 2.5% from 2014)
- Median Age: 34 years old
- Number of Households: 33,869 (up 1% from 2014)
- Average Household Income: \$85,839 (up 6.3% from 2014)
- Median Home Sales Price: \$455,798 (up 2% from 2014)
- Number of Jobs: 49,292 (up 15% from 2014)
- Unemployment Rate: City=5.3%, Riverside County=7.3%





## **Historical Snapshot**

### **City History**

- **Incorporation:** 12/1/89
- **Area** (Square Miles): 26
- **Population:** 27,099
- **City Employees:** 57
- **Sworn Officers:** 31
- **Firefighters:** 31
- **Parks:** 2
- **Miles of Streets:** 200
- **General Fund Budget:** \$10.5M
- **Reserves:** \$4.2M

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JH

- The City was incorporated in 1989 with a population just under 30,000.
- There were 57 City employees by the end of the first full year of operations
- With an additional 31 police officers and 31 firefighters
- We had only 2 parks Citywide
- And a General Fund Budget of \$10.5M to pay for the majority of all City services

## Historical Snapshot

### City History

		as of
• Incorporation:	<u>12/1/89</u>	<u>7/1/07</u>
• Area (Square Miles):	26	30.15
• Population:	27,099	97,141
• City Employees:	57	206
• Sworn Officers:	31	101
• Firefighters:	31	73
• Parks:	2	37
• Miles of Streets:	200	262
• General Fund Budget:	\$10.5M	\$57.5M
• Reserves:	\$4.2M	\$43.9M

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JH

- By 2007, the City reached its peak, in terms of budget and staffing levels
- The population has more than tripled since incorporation
- City employees totaled over 200, with an additional 174 police & fire personnel
- The number of parks have grown to 37, and the miles of streets has increased by 31% due to development and annexation activity.
- And the General Fund Budget reached \$57.5M, which was the highest level prior to the Great Recession
- Most notably is the level of Reserves, at nearly \$44M. As you will see in subsequent slides, the investment of these resources has helped create the strong economy Temecula has enjoyed for many years



## Historical Snapshot

### City History

		as of	as of
• Incorporation:	<u>12/1/89</u>	<u>7/1/07</u>	<u>7/1/15</u>
• Area (Square Miles):	26	30.15	37
• Population:	27,099	97,141	108,920
• City Employees:	57	206	155
• Sworn Officers:	31	101	100
• Firefighters:	31	73	65
• Parks:	2	37	39
• Miles of Streets:	200	262	309
• General Fund Budget:	\$10.5M	\$57.5M	\$65.4M
• Reserves:	\$4.2M	\$43.9M	\$24.3M

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JH

- Currently, the City's population is just under 109,000 people
- Since the recession, staffing levels have declined by 25%, and public safety staffing is 5% lower than the 2007 levels
- And the General Fund Budget for the current year is \$65.4M
- with \$24M designated for emergencies, another economic downturn or other one-time expenditures.

## **Historical Snapshot**

### **General Fund Historical Perspective**

- Strong fiscal management has been a hallmark of the City Council for 25 years
- The Council has strategically invested its resources to provide high quality of life and economic growth
- Accumulation of resources has allowed for the creation of outstanding City facilities, programs and services

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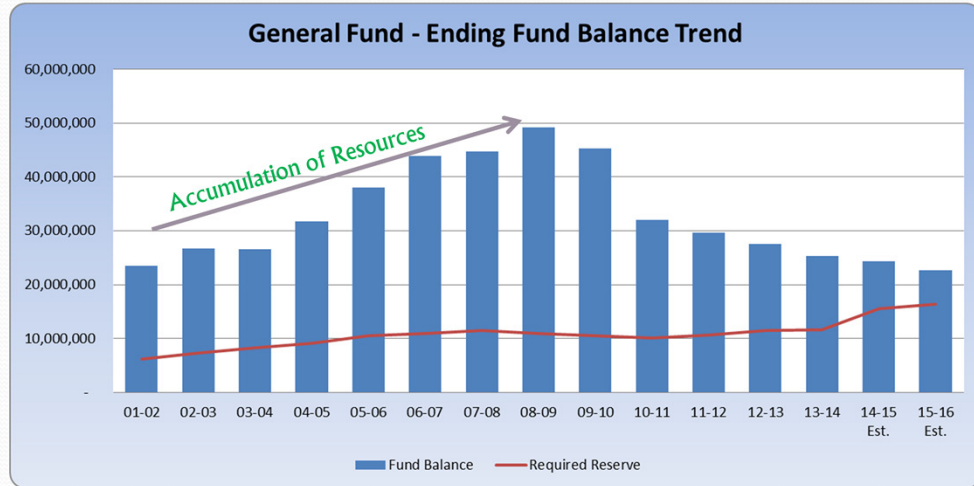
JH

- The City has had consistent leadership over the past 25 years with a Council who has been both pro-active and business-minded in their policies

- Solid financial management has been a hallmark of the city since it's inception, as illustrated in the previous slide

- And, over the years as the City was expanding rapidly, the Council accumulated resources and invested them back into the community to ensure continued economic growth, outstanding facilities and programs to create a high quality of life for its citizens

## Historical Snapshot

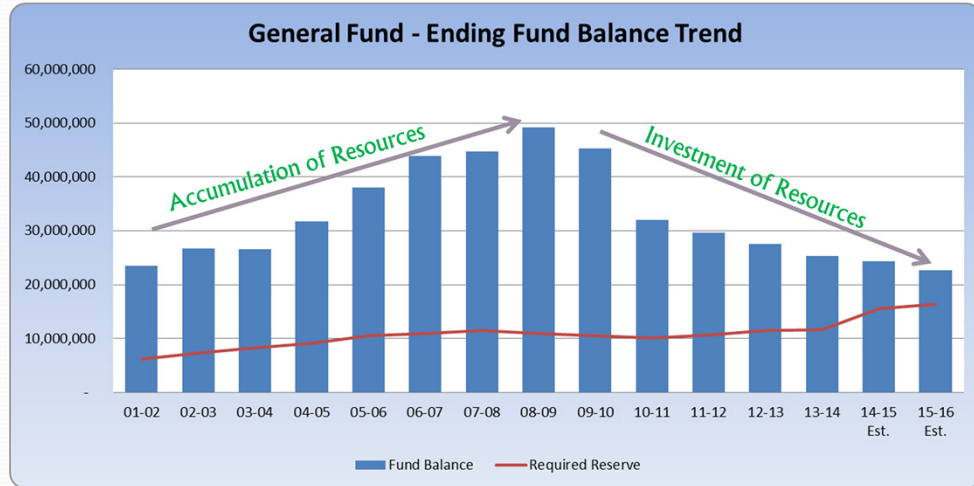


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JH

- Resources accumulated to just under \$50M, by design, as the City was strategically growing reserves to re-invest in the community

## Historical Snapshot



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JH

- Since 2008, resources were strategically invested in:
    - facilities
    - sidewalks
    - streetscapes
    - and road improvements,
- to spur on economic growth throughout the community



## **Historical Snapshot**

### **Investment of Resources**

- Since 2008, the City has strategically invested in facilities, sidewalks, streetscape, and pavement rehabilitation to spur economic growth

Civic Center complex was completed in 2010, taking advantage of lower construction costs during recession (savings of \$10M, or 25%)

From 2009 to 2014, Old Town Sales Tax growth was 66%, vs. 35% Citywide

Property values in Old Town have risen 36% since 2009, vs. 18% Citywide



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JH

- In Old Town, the completion of the Civic Center complex in 2010 was the catalyst for growth in this area of town.
- The City Council made a bold business decision to build the Civic Center during the recession, and in doing so, saved \$10M, or 25%, in construction costs
- The strategy was successful, as between 2009 and 2014, Sales tax growth in Old Town was 66%, as compared to 35% across the City as a whole
- Property values in Old Town rose by 36% during this timeframe, which is double the rate of growth realized Citywide.

## **Historical Snapshot**

### **Community Engagement**



- The City has historically solicited input from the community in developing long-range goals and objectives
- The Quality of Life Master Plan (QLMP) was developed in 2011, which set forth the City's core values and created a 20-year vision of community priorities
- Community Satisfaction surveys are conducted biennially to ensure the City is meeting the demands of the community
  - In 2014, 96% of the community surveyed ranked Temecula's Quality of Life as "good" or "excellent"

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JH

- Another hallmark of the City throughout its history has been to engage the community to solicit input in developing the long-range vision of the City

- Most recently, in 2011, the City involved the Community in the development of the Quality of Life Master Plan which provided a 20-year vision of community priorities and core values

- As part of the QLMP process, a Community Satisfaction survey is conducted every other year to provide the City feedback on how its meeting the demands of the growing population and what the major concerns are for the community

- In 2014, the survey showed that 96% of those people surveyed ranked the Quality of Life as either "good or excellent"

## Historical Snapshot

### Quality of Life Master Plan Core Values

- Healthy and Livable Community
- Economic Prosperity
- A Safe and Prepared Community
- A Sustainable City
- Transportation Mobility and Connectivity
- Accountable and Responsive City Government



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JH

- The QLMP process also established the 6 Core Values that guide all budgetary decisions, capital investments and departmental objectives

# Historical Snapshot

## QLMP Progress – Through 2015



16

JH

- This diagram is from the QLMP document, and outlines the high-priority projects for the City through 2020.

- I know it's difficult to read, however it's simply an illustration of how this document has guided City resources and investment over the past five years.



# Historical Snapshot

## QLMP Progress – Through 2015



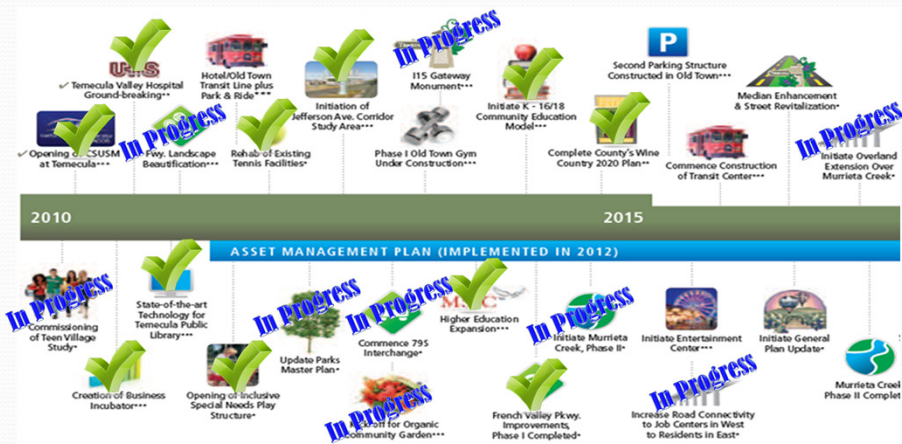
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- To date, a total of 11 projects have been completed, including:

# Historical Snapshot

## QLMP Progress – Through 2015



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- In addition to the 11 completed projects, another 9 are in progress currently.



JH

- Now, we will turn our attention to the current budget

## **FY15-16 Annual Operating Budget**

### **General Fund**

- Serves as the City's primary operating fund
- Revenue comes primarily from taxes (78%)

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- the City is required to follow Governmental Accounting Standards, in which revenues and expenditures are segregated into separate "funds."
- The City maintains approximately 60 different funds
- A "fund" is similar to a separate bank account, and the terms "fund balance" or "reserve" represents the total savings within that account
- The primary operating fund of the City is called the General Fund and it pays for the majority of all City services
- Most of the General Fund revenue comes for a variety of taxes, and as such, will fluctuate along with the economy



## **FY15-16 Annual Operating Budget**

### **General Fund**

- Serves as the City's primary operating fund
- Revenue comes primarily from taxes (78%)

### **Where the Money Comes From**



Sales Tax  
48%  
\$32m



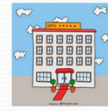
Property Tax  
22%  
\$14.2m



Permits/Fees for  
Services  
12%  
\$7.7m



Franchise Fees  
6%  
\$3.9m



Hotel Tax  
5%  
\$3.3m



Gas Tax  
4%  
\$2.7m

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- General Fund Revenue is usually unrestricted, and is generated from a variety of sources
- Nearly half of the revenue comes from Sales Tax paid on goods sold within the City limits.
- A total of \$32M is received each year from Sales Tax, and roughly half of this amount is imported from others living outside of Temecula who come here to shop
- Property Tax generates 22% of the General Fund's revenue
- Building Permits, Business Licenses and other Charges for Services generates an additional 12% of the revenue
- The City collects approximately \$4M/year in franchise fees on gas and electric utilities, as well as on cable services
- An 8% Hotel tax is assessed on visitors staying in hotels located within the City, and the General Fund receives just over \$3M annually from this source of revenue.
- Finally, the city receives approximately \$3M per year in Gas Tax, which is used to pay for street and road maintenance

## FY15-16 Annual Operating Budget

### General Fund

- Serves as the City's primary operating fund
- Revenue comes primarily from taxes (78%)

### Where the Money Comes From



Sales Tax  
48%  
\$32m



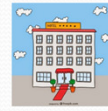
Property Tax  
22%  
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Permits/Fees for  
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12%  
\$7.7m



Franchise Fees  
6%  
\$3.9m



Hotel Tax  
5%  
\$3.3m



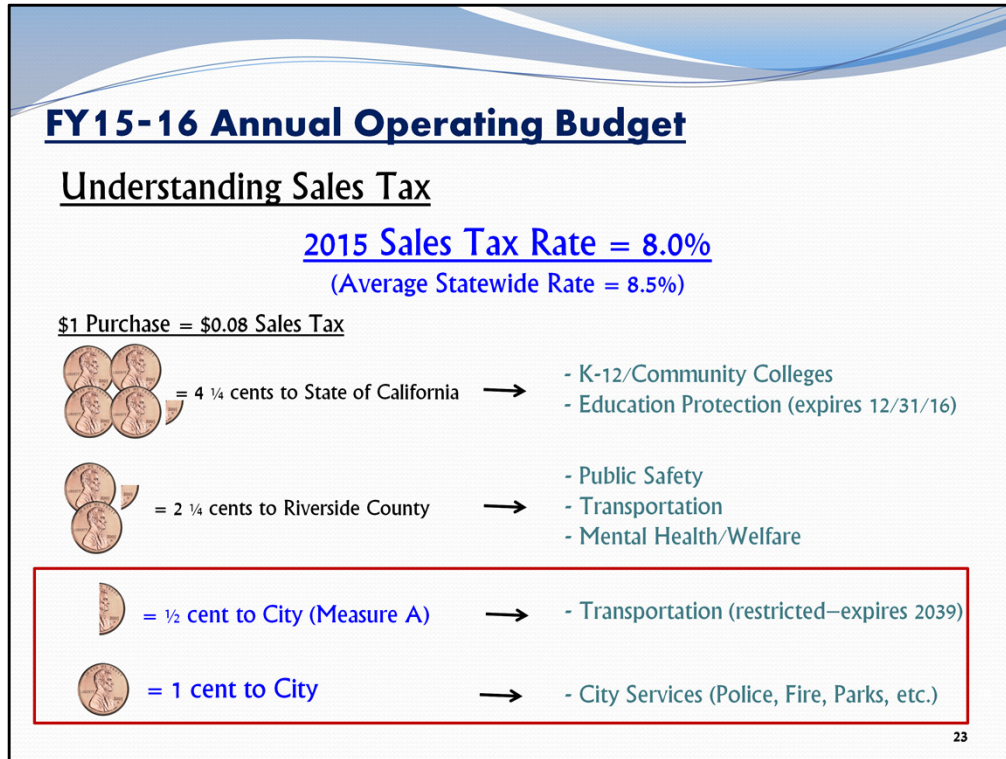
Gas Tax  
4%  
\$2.7m

**General Fund Revenue = \$65,853,760**

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- This year's General Fund Revenue is projected to be \$65.8M



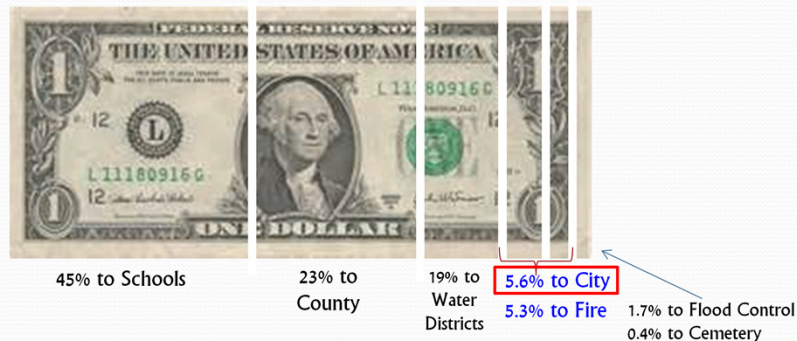
JH

- With Sales Tax generating half of the Fund's revenue, we'll spend a few minutes to better understand how Sales Tax is distributed
- The Sales Tax rate within Temecula is currently 8.0%, which is less than the statewide average of 8.5%
- The majority of Sales Tax is dispersed to the State of California to pay for schools and education
- Another 2 ¼ cents is distributed to the County to pay for Public Safety, Transportation and Mental Health
- Back in 1988, and again in 2002, voters within Riverside County approved a ½ cent sales tax for Transportation improvements. This tax is assessed on all Riverside County residents and will expire in 2039, unless voted to continue. Temecula receives roughly \$3M/year in Measure A Funds.
- This leaves a remaining 1 cent that is allocated to the City to pay for Police, Fire, Parks, Public Works and the general operations of City government

## FY15-16 Annual Operating Budget

### Understanding Property Tax

Property Tax Rate = 1.0% of Home's Value



For every \$1 paid in Property Tax, the City receives 10.9 cents.

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- Roughly 22% of the General Fund revenue comes from Property Tax
- The current Property Tax rate, not including Mello-Roos assessments, is 1% of the home's value
- While 100% of Property Tax stays local within Riverside County, it is allocated to a number of governmental entities
- The majority, or 45% goes to the school districts
- Another 23% goes to County Government
- 19% is allocated to the various water districts within Riverside County
- And the City's General Fund directly receives 5.6% of all Property Taxes paid
- The City also benefits from the Fire Tax Credit, which represents 5.3% of taxes paid, and offsets the cost of the Fire Department
- It's important to note that the City receives less than 11 cents of every Property Tax dollar paid.



## FY15-16 Annual Operating Budget

### Sales & Property Tax Revenue Example

#### Sales Tax



New Car = \$40,000

8% Sales Tax = \$3,200

State	County	City
\$1,700	\$900	\$600

#### Property Tax



New House = \$400,000

1% Property Tax = \$4,000

Schools	County	Water Dist.	City	Other Dist.
\$1,800	\$920	\$760	\$436	\$84

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JH

- To put these tax rates into context, here's a practical example to illustrate the City's share of the major tax sources

- In purchasing a new vehicle that costs \$40k, the 8% sales tax on the purchase generates \$3,200, of which the City receives \$600

- For Property Tax, on a \$400,000 home, the annual tax bill is \$4,000, which is distributed across several government agencies and districts. The City receives \$436 of the tax paid, of which roughly half is dedicated to offset the Fire Department's budget and the other half, or \$224 per year remains to pay for Police, Parks, Public Works and other City services

## **FY15-16 Annual Operating Budget**

### **General Fund**

- Expenditures are unrestricted, but must serve a public purpose

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JH

- As mentioned previously, the majority of the General Fund revenue is unrestricted, however the funds must be spent to provide a public purpose

## FY15-16 Annual Operating Budget

### General Fund

- Expenditures are unrestricted, but must serve a public purpose

### Where the Money Goes



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- You can see here that 49%, or nearly half, of the General Fund is dedicated to Public Safety.
- The Police Budget makes up 39% of the General Fund and Fire makes up another 10%.
- Public Works, which provides for road and facility maintenance, capital project management, engineering and parks maintenance, makes up 19% of the total budget
- Administration comes in at 16% of the total budget, to fund the management of the City Operations through the City Manager's Office, City Clerk, City Attorney's Office, Finance, Human Resources, Economic Development and Debt Service
- The allocation to Community Services of \$5.6M supplements the funding received through Measure C, to provide parks, recreation programs and services and the many special events held throughout the year.
- Finally, Community Development, which funds Planning activities as well as Building and Safety, makes up the remaining 6.8% of the overall General Fund Budget

## FY15-16 Annual Operating Budget

### General Fund

- Expenditures are unrestricted, but must serve a public purpose

### Where the Money Goes



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JH

- Total Expenditures for Fiscal Year 2015-16 is projected to be \$65.4M



## **FY15-16 Annual Operating Budget**

### **Police Department (39% of General Fund)**

- Operating Budget = \$25,694,620
- Total staffing = 135 positions
  - 100 Sworn Officers, 19 CSOs, 16 Administrative
- 7.5% increase in Sheriff Contract, offset by:
  - Continuation of 3 vacant Sworn positions (\$832k)
- Continued cost sharing arrangement with TVUSD
  - 50% for 5 School Resource Officers (\$337k)



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JH

- Public Safety has historically been the community's highest priority, and as such, the Council has dedicated the vast majority of its resources to ensure a high quality police force.

- At 39% of the overall General Fund, the Police Department has an annual operating budget of nearly \$26M.

- The City contracts with Riverside County to provide police services within the City.

- Currently, there are 100 sworn police officers, 19 community service officers and 16 administrative personnel within the Department

- The Contract with Riverside County Sheriff's office is projected to increase by 7.5% over the prior year, due to rising costs of labor and the implementation of a new County-wide radio system

- To offset these cost increases, the City is holding 3 positions vacant, for a savings of \$830k per year

- As well as, we are continuing to share in the cost of providing 5 School Resource Officers with the school district, saving an additional \$337k per year

## **FY15-16 Annual Operating Budget**

### **Fire Department (9.6% of General Fund)**

- Operating Budget                      \$13,932,812  
    Less Fire Tax Credit of            (\$7,645,222)  
    General Fund impact of        \$6,287,590
- Total Staffing = 65 positions
- Maintaining staffing ratio of 4 personnel/engine
- 11% increase in Fire Contract in anticipation of Cal Fire labor negotiations which began July 1st



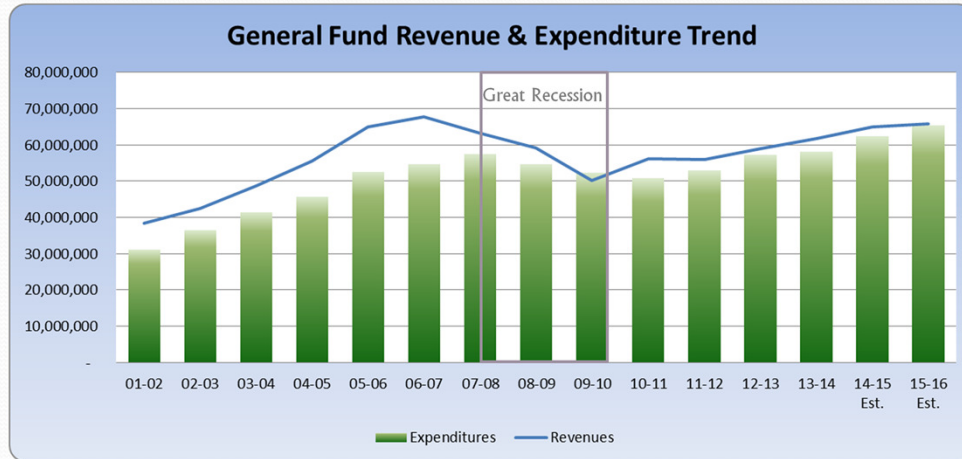
30

JH

- The City also contracts with Riverside County, through Cal Fire, to provide Fire Services within the City limits.
- For the current Fiscal Year, the Fire Department's Operating Budget is nearly \$14M, however \$7.6M of this is offset by the Fire Tax Credit paid through Property Taxes.
- This leaves a General Fund impact of \$6.3M for the Fire Department
- Currently, there are 65 Fire Personnel covering 4 fire stations located strategically throughout the City
- Staffing ratios for the department call for 4 personnel on each Fire Truck or Engine
- Finally, it is anticipated that Cal Fire will be negotiating cost of living increases for its Fire personnel, thus raising the cost of the contract. For this Fiscal Year, an 11% increase has been reflected in the Budget.

## **FY15-16 Annual Operating Budget**

Revenues have consistently exceeded Expenditures



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JH

- This graph does a great job of illustrating the strong fiscal management of the City over the past 15 years.
- Even through the Great Recession, the City has lived within it's means, by keeping control of expenditures and spending less that we're bringing in in annual Revenue
- Revenues within the City have consistently outpaced Expenditures, eliminating the reliance on one-time reserve funds to pay for ongoing operations.
- It's also interesting to note, that it has taken 10 years to recover and regain the level of revenue generated before the recession.



JH

We will now focus our attention on the upcoming five years and our forecast of future budgetary impacts to the City



## **Financial Forecast**

- 5-Year projections are prepared for the General Fund each fiscal year
- Long-range fiscal planning serves as a valuable tool to evaluate the City's ability to fund programs and services
  - Alerts decision makers early enough to course-correct if trends indicate financial concerns
- Last year a Strategic Fiscal Planning Ad Hoc Council committee was established to review the financial outlook and ensure ongoing fiscal solvency of the City

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JH

- Like most businesses, long-range fiscal planning is a critical component to the success of the City.

- We forecast both revenues and expenditures over a 5-year period to identify any concerning trends or upcoming challenges

- Long-range planning helps the Council make strategic decisions and alerts them early-on if a course correction is needed due to foreseeable concerns.

- As you will shortly see, this Forecasting process has identified significant cost increases in the coming years, and the need to proactively change our course in order to ensure ongoing fiscal solvency

- As part of this effort, the Council appointed two of its members to the Strategic Fiscal Planning Ad Hoc committee to review the financial outlook and develop strategies to help mitigate future impacts.

## **Financial Forecast – Status Quo**

### **Current 5-Year Forecast Assumptions**

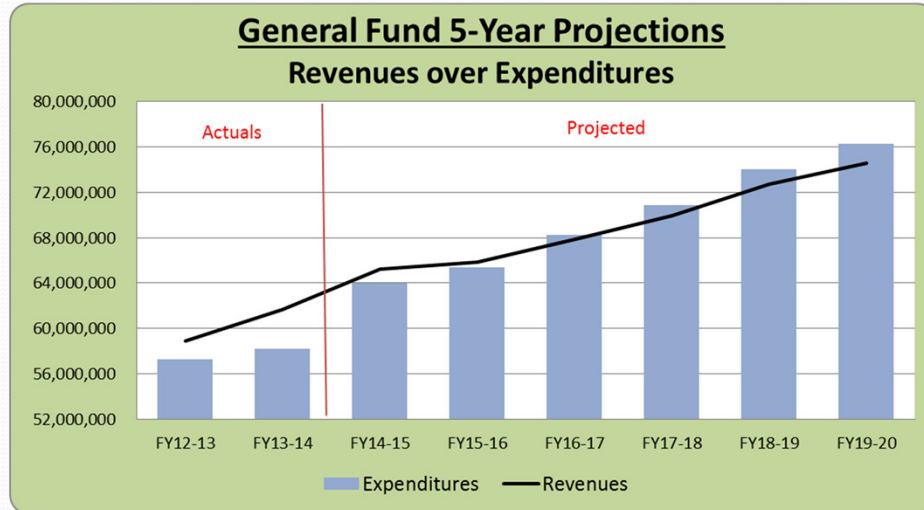
- Assumes no additional personnel
- Includes projected cost increases
  - Police = 7-8% per year (per Riverside County Contract)
  - Fire = 3-5% per year (per Riverside County Contract)
  - Non-Safety = 1-2% per year
- Realistic Revenue growth (3-4% per year)
- No additional programs/services
- Population growth of 2% per year

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JH

- As part of any forecast, a set of assumptions must first be developed.
- In the current 5-year forecast, staffing levels are presumed to remain status quo (no increases), as are program and service levels.
- Revenue is projected to grow at a rate of 3-4% per year, as we are seeing new auto dealerships and businesses continue to locate within Temecula
- Expenditures, however, are projected to grow at a much faster pace than revenue.
- Per Riverside County, both the Police and Fire contracts are slated to increase dramatically over the next five years.
- The Police contract alone is expected to increase between 7-8% per year.
- With revenue increasing at half of that rate, a structure deficit is looming in the coming two years unless a course correction is made.

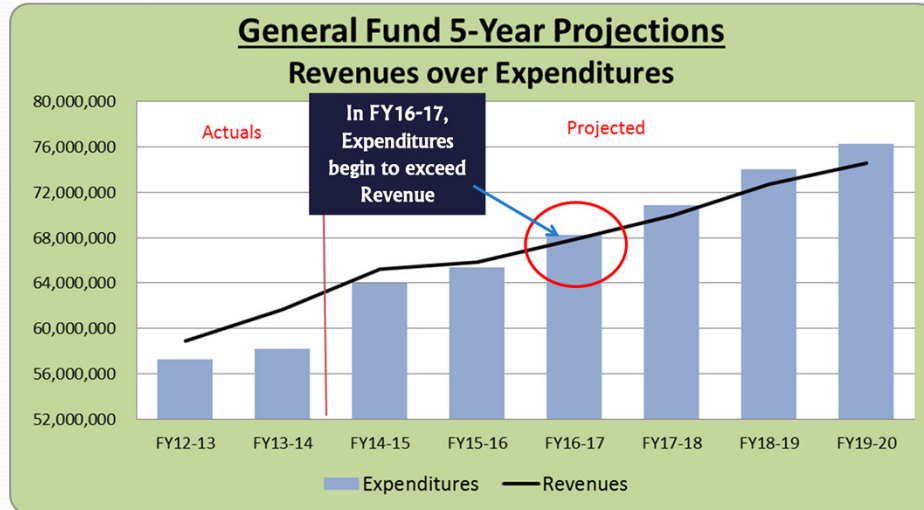
## Financial Forecast – Status Quo



JH

- This chart graphically displays the upcoming challenges the City is facing within its General Fund
- You can see the black line, which represents Revenues, begin to fall below the blue bars, which represents expenditures.

## Financial Forecast – Status Quo



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JH

- By next fiscal year, Expenditures are forecasted to exceed Revenue
- This creates the start of a structural deficit, and left uncorrected, will require the use of one-time reserves to pay for ongoing expenditures.



# **Financial Forecast**

## **Additional Considerations**

- Rising Public Safety costs
  - Initiated discussions amongst the 17 contract agencies
  - Holding positions vacant to offset rising costs
- Water Restrictions/Cost Impacts
- Development of Old Town Parking Strategies
  - Enlisted consultant to begin analysis of alternatives
- Reduction of Unfunded Liabilities
  - Commissioned consultant to develop strategies on reducing future liabilities



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JH

- In order to help mitigate this unsustainable trend in rising Public Safety costs, the City has initiated discussions with the 17 contract agencies to collectively address the problems.

- Also, as mentioned previously, three Police Officer positions are being held vacant to curtail costs.

- With the ongoing drought and mandatory water rationing, the City has reduced its water usage to avoid large penalties, however it's unknown how the water crisis will impact the budget in future years, but it is of concern and being monitored closely

- To help continue the economic growth occurring in Old Town, the City has hired a consultant to analyze different parking strategies

- We've also commissioned an actuarial expert to develop long-term strategies to reduce the City's unfunded liabilities

# **Financial Forecast**

## **Additional Considerations, continued**

- Loss of funding options for economic development
- Aging Infrastructure (parks, roads, facilities)
- Responding to Population growth
- Law Enforcement Legislation
  - Assembly Bill 109 – Early release of prisoners
  - Proposition 47 – Converted non-violent offenses from felonies to misdemeanors



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JH

- The City's fiscal outlook is also challenged by a number of additional factors, including:
- The loss of Redevelopment funding which allowed the City to leverage Property Taxes and invest in projects that spurred economic development
- As the City ages, so does its infrastructure. The City owns 28 different facilities of varying ages that will need refurbishing as time goes on.
- Similarly, City Parks, Playground equipment and roads require ongoing maintenance.
- Finally, with the recent passage of two new bills, the Law Enforcement landscape has changed dramatically.
- AB 109 called for the early release of certain prisoners and Proposition 47 reduced the penalties for non-violent offenses.
- The potential impact of these two bills has yet to be fully realized

# **Financial Forecast**

## **Balancing the 5-Year**



- **Limited Options:**
  - Increase revenues to keep pace with projected expenditure growth
    - Updated Fee Study to be completed in FY15-16
    - Collection of Education & Government (EG) Fees in FY15-16
    - Evaluate Measure C, Sales Tax and/or Utility Users' Tax
  - Decrease services to fit within available revenues
    - Reduce Parks & Rec Programs, Road Maintenance, Events, etc.
    - Cut 9 Sworn Police Officer positions
    - Reduce Fire staffing to 3 Firefighters per Engine (vs. 4/Engine)

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JH

- In order to balance the 5-Year Financial Plan, the City has only three basic options...

- 1) Increase Revenue
- 2) Decrease Expenditures
- 3) Do a combination of both

- To ensure the City is achieving adequate cost recovery, we are undergoing a Fee Study this year as it relates to Building and Planning fees

- We are also beginning to collect Education & Government Fees paid by cable subscribers to help pay for the production of the Government Channel broadcast

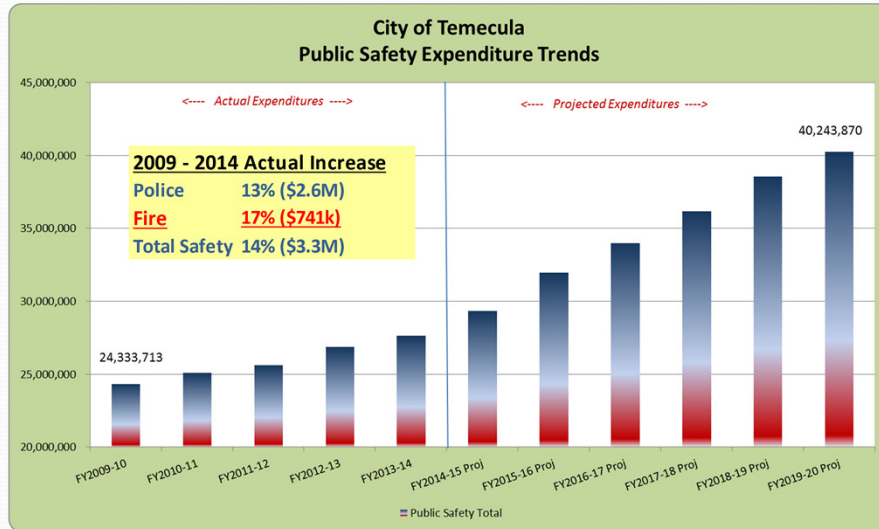
- Finally, the City is analyzing tax options related to Measure C, Sales Tax and/or a new Utility Users Tax

- To address the fiscal imbalance by reducing expenditures, reductions would be necessary in Parks, Recreation, Road Maintenance, Events, Admin and Public Safety

- The reduction of 9 Police Officers over the next 5 years would be necessary to offset the contractual increases the City is facing in Public Safety

- Alternatively, the Fire Department would need to reduce its staffing on Fire Engines by one Firefighter to offset the rising costs and keep the General Fund balanced

## Financial Forecast – Status Quo



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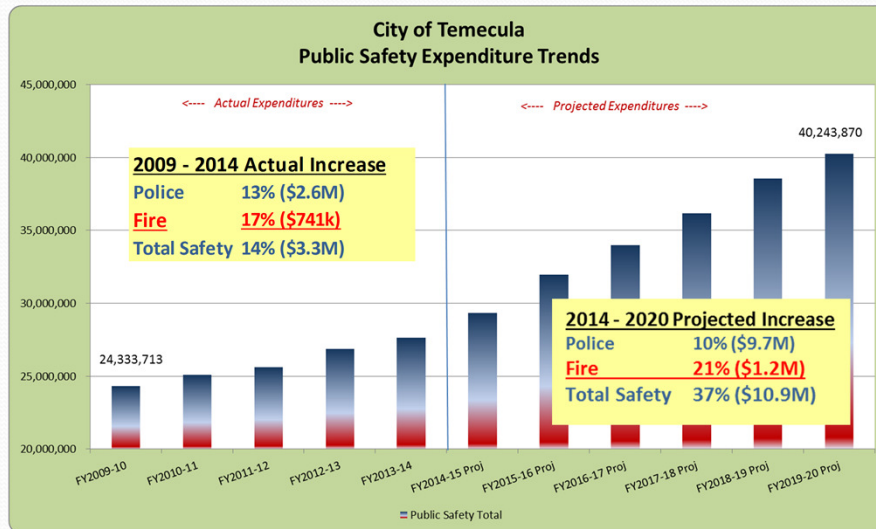
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With Public Safety making up half of the Budget, the next series of slides will show the magnitude of the rising contract costs over the ensuing 5-year period.

- Between 2009-2014, total Police and Fire costs grew by 14% or \$3.3M.



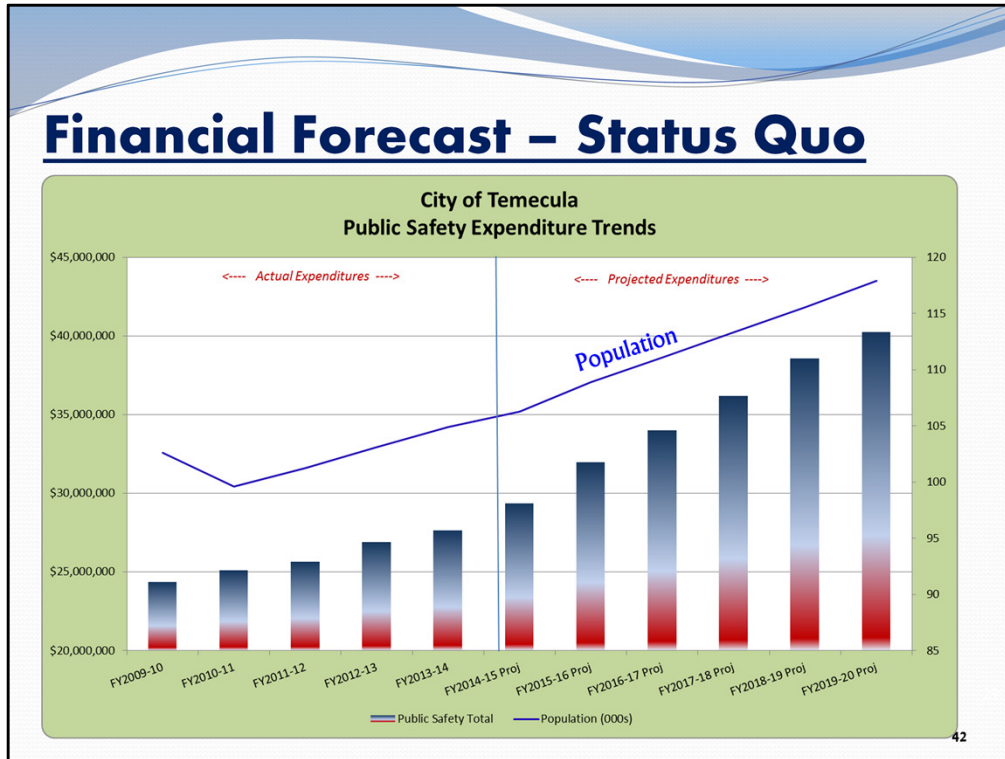
## Financial Forecast – Status Quo



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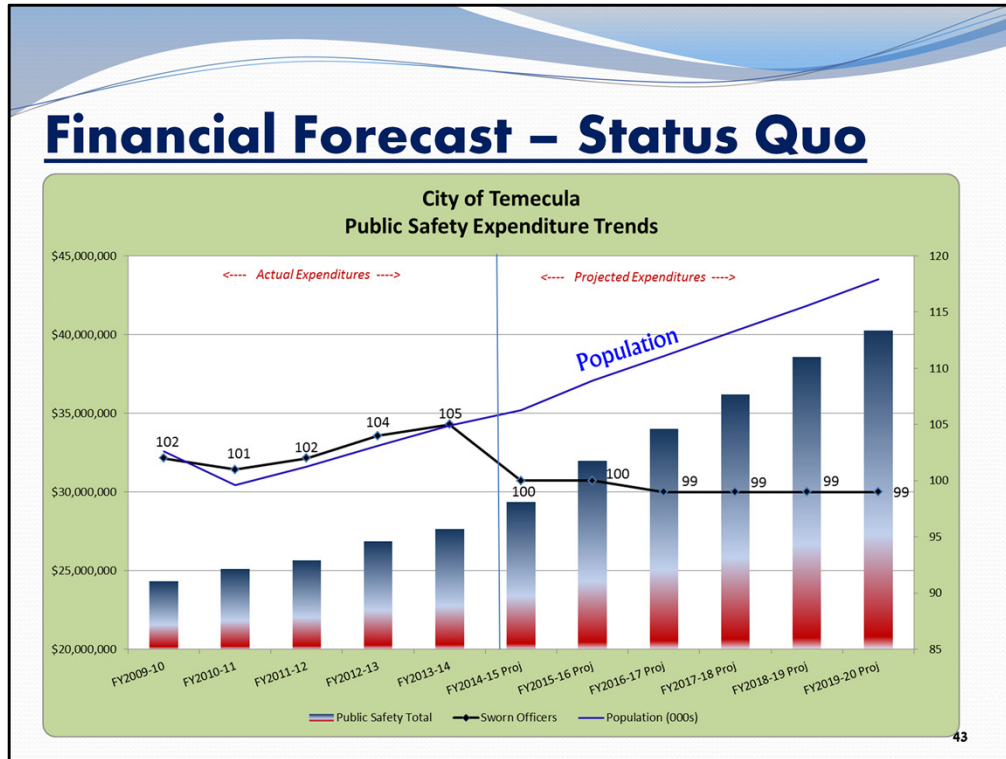
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- The projected costs over the next 6 years, however, show an anticipated growth rate of 37% or nearly \$11M
- Again, this increase is based on information received from Riverside county regarding contract negotiations and the implementation of a new radio system



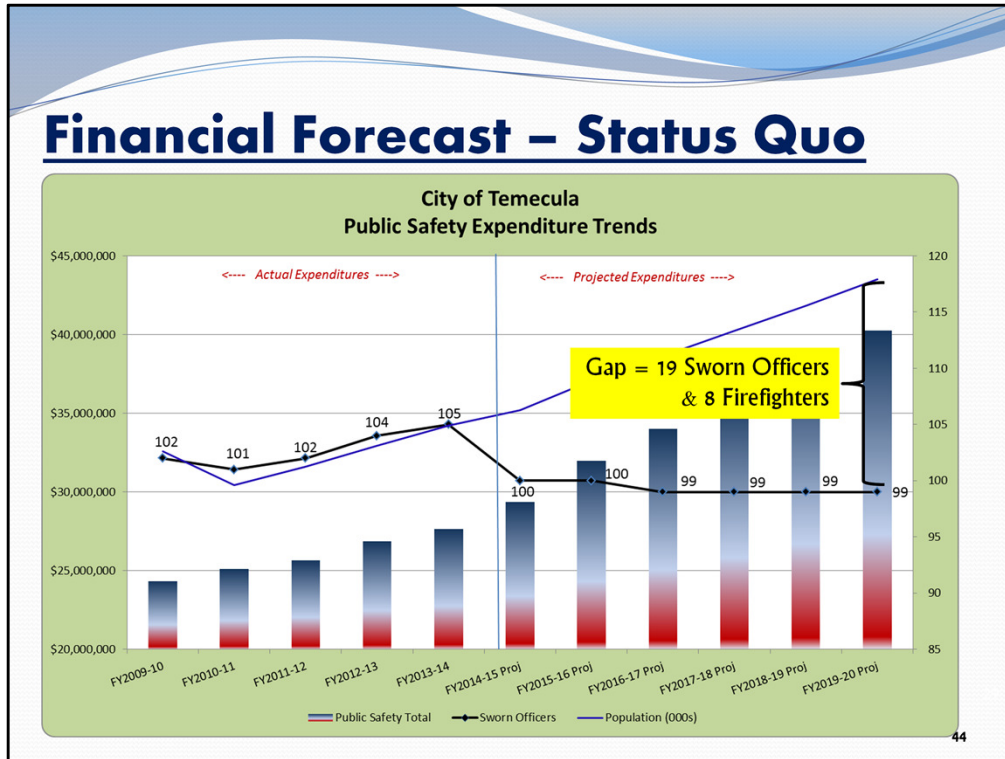
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- When you add the population growth trend to this chart, it appears that Public Safety costs are growing along with population



JH

- However, when you overlay the number of sworn officers, you can quickly see that the projected increased is strictly to due compounded cost escalation.
- The number of sworn officers is projected to actually decline by one as a Public Safety Grant comes to an end in FY16-17.



JH

This chart shows that in previous years, the number of sworn officers kept pace with population growth,

However, due to the contract cost escalation, by the year 2020 the City will be short 19 Police Officers & 8 Firefighters, compared to expected population growth.



## **Financial Forecast – At Desired Staffing Levels**

### **Public Safety Impacts**

- To keep pace with population growth:
  - An [additional 19 Sworn Officers](#) would need to be hired in the next 5 years
  - An [additional 8 Firefighter personnel](#) would be required to open Roripaugh Fire Station #95
  - By 2020, cumulative cost of additional Public Safety personnel = \$29.8 million

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- As the community continues to grow, it will be increasingly difficult to maintain the service levels experienced in recent years.

- An additional 19 sworn officers and 8 firefighters would be necessary to keep pace with population growth.

- At the end of the five-year period, the cumulative cost to the City would be approximately \$29.8M to hire this additional public safety personnel

## **Financial Forecast – At Desired Staffing Levels**

### **Public Safety Impacts**

- Impacts of not keeping pace with population growth:
  - Longer Police and Fire response times
  - Loss of Community “Special Teams” in Police
    - gangs, graffiti, homelessness, bike patrol, etc.
  - Loss of School Resource Officers, K9 Officers, Mall Patrol

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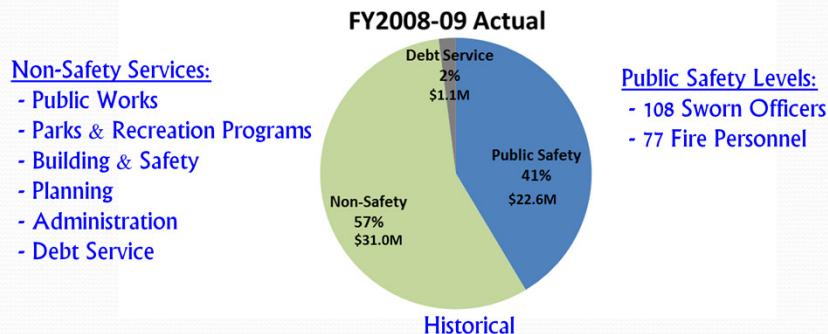
JH

- Conversely, there are defined impacts of not keeping pace with population growth.
- Namely, response times for both Police and Fire will definitely increase, as the calls for service increase as population grows.
- OSHA requirements related to firefighting require 4 persons to enter a burning structure (2 inside & 2 outside). With a reduction in Engine staffing, a fire would require two Engines to respond rather than just one currently, causing longer response times.
- The Police department currently employs several “Special Teams” to proactively address issues related to gangs, graffiti, homelessness and many others.
- With a growing population, the need for Patrol Officers increase causing the re-assignment of existing officers from these Special Teams, as well as from the Schools and the Mall to cover Patrol duties.

# Financial Forecast

## Historical Balance of Services

- In 2008-09, Non-Safety Services and Program budgets exceeded Public Safety costs (at City's highest staffing levels for Public Safety)



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- As we've learned through several Community Satisfaction surveys over the years, Temecula residents value their High Quality of Life as defined by a safe community that offers a number of recreation activities and programs.
- As such, the key to providing this High Quality of Life is to offer a balance of services to the Community
- The next series of slides will illustrate how quickly the balance of services can change if Public Safety levels are increased along with population, within the given level of available resources.
- In 2008-09, Non-Safety services made up 59% of the total budget and Public Safety made up 41%, even at the City's highest staffing levels for Police and Fire combined.

# Financial Forecast

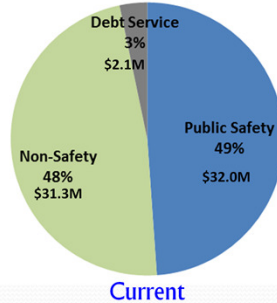
## Current Balance of Services

- Currently, services are evenly balanced between Public Safety and Non-Safety Services and Programs

### Non-Safety Services:

- Public Works
- Parks Maintenance (added)
- Parks & Recreation Programs
- Building & Safety
- Planning
- Administration
- Debt Service

### FY2015-16 Projected



### Public Safety Levels:

- 100 Sworn Officers (-8 Officers)
- 65 Fire Personnel (-12 Firefighters)

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- In the Current year, Safety and Non-Safety services are relatively balanced, with Public Safety now at 49%.

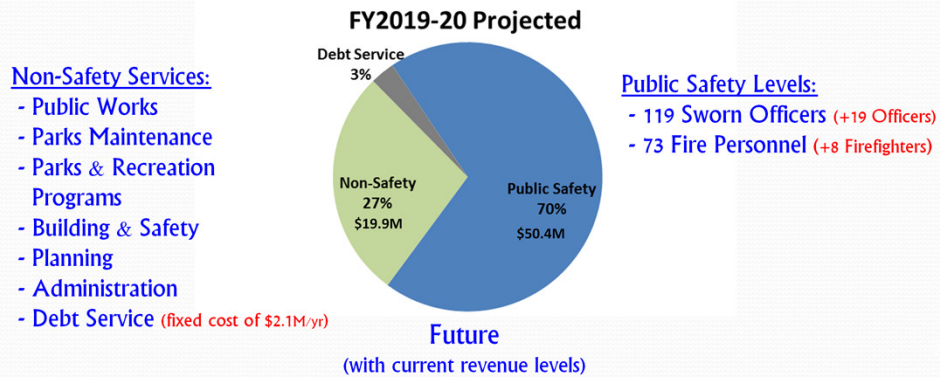
- However, in comparison to 2008, the staffing levels for Safety have decreased by 12%.



## **Financial Forecast – At Desired Staffing Levels**

### **Hypothetical Example**

- With additional Safety personnel to keep pace with Population, by 2020, only 27% of Revenue is available to fund Non-Safety Services



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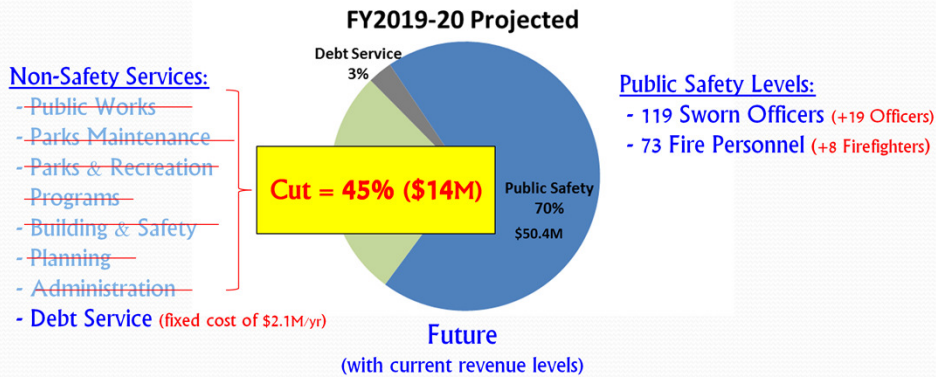
JH

- this is a **hypothetical example** designed to illustrate the magnitude of Public Safety costs relative to the Non-Safety services
- By the year 2020, after hiring 19 additional officers and 8 firefighters to keep pace with population, Public Safety costs would consume 70% of available revenue
- Leaving only 27% of the overall budget available to cover the remaining Non-Safety services.
- 3% of the Budget is a fixed cost as it pays for debt service, which cannot be reduced unless the debt is paid off in full

## **Financial Forecast – At Desired Staffing Levels**

### **Hypothetical Example**

- With additional Safety personnel to keep pace with Population, by 2020, Non-Safety services would need to be cut by 45% or \$14M



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- To keep pace with Population growth without additional revenue sources, Non-Safety services would require a cut of 45% from their current levels in order to fund the additional Police and Fire personnel needed to maintain Safety service levels.

- While this example is hypothetical, there are many communities who have a similar ratio between Public Safety and Non-Safety services.

- Murrieta = 70% dedicated to Public Safety
- Moreno Valley = 63% Public Safety
- Hemet = 73% Public Safety
- Menifee = 72% Public Safety



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So, this leads us to our discussion about Community Priorities

## **Prioritization of Services**



- The foundation of our community is our Quality of Life, which is determined by the services provided to residents, businesses and visitors
- As outlined in the QLMP, the community has established six core values that drive the allocation of resources
  - Every budgetary decision is linked back to one of these core values
- Services are greatly impacted by the availability of financial resources

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- Temecula is a unique community, who has a proven track record of involving the community in its decision-making process.
- With strong fiscal management and a visionary, pro-active Council, the City has grown into a desired community with a High Quality of Life enjoyed by its residents, businesses and visitors.
- The Core Values outlined in the QLMP process serve as a roadmap for all budgetary decisions and remind us what is important to this community.
- As shown in the previous slides, you can now see how quickly the balance of services can be impacted by the availability of financial resources.



## **Prioritization of Services**

- To preserve the high Quality of Life Temecula enjoys, a balance of programs & services is required



Police Services



Community Services/Events



Building & Planning Services



Fire Services



Public Works Services



Parks Maintenance

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- From Police and Fire keeping our community safe,
- And Public Works keeping our streets, facilities & parks maintained,
- To Community Services providing award winning programs and events

A balance of these services is necessary to preserve Temecula's High Quality of Life well into the future.

## **Prioritization of Services**



- We want to hear from you...
- Are current service levels satisfactory?
- Is the mix of services meeting community demands?
- Are you concerned about the City's ability to continue to provide high quality services?

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And with that, we are eager to hear your thoughts.

I'd like to introduce Mr. Adam Sonenshein from FM3 Research.

He will be facilitating the discussion from this point forward.

# Discussion

Introducing:

Adam Sonenshein, FM3 Research

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